

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

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In re: :  
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THE FINANCIAL OVERSIGHT AND : PROMESA  
MANAGEMENT BOARD FOR PUERTO RICO, : Title III  
:  
as representative of : Case No. 17-BK-3283 (LTS)  
: (Jointly Administered)  
:  
THE COMMONWEALTH OF PUERTO RICO *et al.*, :  
:  
Debtors.<sup>1</sup> :  
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:  
In re: :  
:  
THE FINANCIAL OVERSIGHT AND : PROMESA  
MANAGEMENT BOARD FOR PUERTO RICO, : Title III  
:  
as representative of : Case No. 17-BK-3566 (LTS)  
:  
THE EMPLOYEES RETIREMENT SYSTEM OF THE :  
GOVERNMENT OF THE COMMONWEALTH OF  
PUERTO RICO, :  
:  
Debtor. :  
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**OFFICIAL COMMITTEE OF UNSECURED CREDITORS' RESPONSE TO MOTION  
TO STAY CONTESTED MATTERS AND ADVERSARY  
PROCEEDINGS RELATING TO ERS BONDS**

<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283- LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17- BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5233-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

To the Honorable United States District Judge Laura Taylor Swain:

The Official Committee of Unsecured Creditors (the “Committee”)<sup>2</sup> respectfully submits this response to the *Urgent Joint Motion to Stay Certain Contested Matters and Adversary Proceedings Related to the Bonds Issued by the Employees Retirement System of the Government of the Commonwealth of Puerto Rico* [Docket No. 1122 in Case No. 17-3566] (the “Stay Motion”). In support of this response, the Committee respectfully states as follows:

### **RESPONSE**

The Committee does not at this time support the proposed settlement between the Government Parties<sup>3</sup> and the ERS bondholders and therefore opposes the Stay Motion to the extent it applies to the Committee’s claim objections [Docket Nos. 381 and 384 in Case No. 17-3566] (the “Objections”) seeking disallowance of the ERS bondholders’ claims. The Committee respectfully submits that, because it has a statutory right to be heard on the Objections pursuant to section 502 of the Bankruptcy Code, the Objections should proceed and not be stayed pending confirmation of a plan of adjustment.

The Committee previously raised this issue in the context of its objection to the PREPA bondholders’ claims during the pendency of the Oversight Board’s motion (the “PREPA Rule 9019 Motion”) to settle those claims pursuant to Federal Rule of Bankruptcy Procedure 9019. *See, e.g., Committee’s Supp. Br. Regarding Standing and Timing Issues*, dated Nov. 21, 2019 [Docket No. 1767 in Case No. 17-4780]. The Court rejected the Committee’s argument and entered a “Memorandum and Order Terminating [the Committee’s] Objection.” [Docket No. 1855 in Case No. 17-4780]. The Court ruled that “any rights conferred by Section 502(b) [of the

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<sup>2</sup> The Committee is the official committee of unsecured creditors for all Title III Debtors, other than PBA and COFINA.

<sup>3</sup> Capitalized terms used but not defined herein have the meanings given to them in the Stay Motion.

Bankruptcy Code] may be satisfied by hearing a settlement motion under Rule 9019,” and therefore “resolution of the Committee’s Objection prior to resolution of the 9019 Motion is not required.” *Id.* at 5-6 (citation omitted).<sup>4</sup>

The Committee understands that the rationale of the Court’s ruling in the PREPA case would compel the same outcome here with respect to the Committee’s position that the Objections must be adjudicated prior to consideration of the Oversight Board’s proposed plan of adjustment. The Committee respectfully disagrees with that ruling, however, and raises the issue again here to ensure it is preserved for any possible appeal.

In order to conserve the Court’s (and the parties’) resources, the Committee does not believe it is necessary to re-brief the merits of the Committee’s rights under section 502 and would instead refer the Court to the briefing from the PREPA case, which the Committee incorporates herein by reference.<sup>5</sup> The Committee similarly does not oppose the Oversight Board (or other parties supporting the settlement) incorporating by reference their previous briefing in these cases to minimize the incurrence of professional fees. To the extent the Court believes it may reach a different decision in this case than in the PREPA case, or wishes to received additional briefing on the issue, the Committee stands ready to provide it.

*[Remainder of page intentionally left blank]*

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<sup>4</sup> The Committee appealed the Court’s January 3, 2020 order to the U.S. Court of Appeals for the First Circuit. That appeal (No. 20-1122) has been stayed by agreement of the parties pending the Court’s resolution of the PREPA Rule 9019 Motion in the PREPA case.

<sup>5</sup> The briefing the Committee incorporates by reference includes (i) *Committee’s Supp. Br. Regarding Standing and Timing Issues*, dated Nov. 21, 2019 [Docket No. 1767 in Case No. 17-4780]; and (ii) *Committee’s Supp. Resp. Br. Regarding Standing and Timing Issues*, dated Dec. 4, 2019 [Docket No. 1801 in Case No. 17-4780].

Dated: April 8, 2021

By: /s/ Luc A. Despins

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